

Advanced International Trade (109)  
Delhi School of Economics

Master in Economics

Class:

Monday (11.40-12.50 PM)

Monday (1.50 – 3.00 PM)

Lecture Room: Lecture Theatre

**Course description:**

This course will discuss topics in the area of international trade and trade policy, reviewing traditional theories of international trade and recent developments in the economic literature based on the New trade theory and on the analysis of FDI and global production chains. The discussion of trade policy will cover diverse topics such as export restrictions, the economics of trade agreements and the political economy of trade policy.

Textbook

**Feenstra, R. (2015). *Advanced International Trade: Theory and Evidence*, Princeton University Press**

**Specific chapters and additional articles will be mentioned as we proceed with the lectures.**

**Topics:**

**1. Comparative Advantage, Gains from Trade, International Equilibrium and Ricardo**

\*Feenstra, Chapters 1.

Dornbusch, R., S. Fischer, et al. "[Comparative Advantage, Trade, and Payments in a Ricardian Model with a Continuum of Goods](#)." *American Economic Review* 67, no. 5 (1977): 823–39.

**2. H<sub>2</sub>O trade model**

\*Feenstra, Chapters 2-3.

Dornbusch, R., Stanley Fischer, and Paul A. Samuelson. "Heckscher-Ohlin Trade Theory with a Continuum of Goods." *The Quarterly Journal of Economics* 95, no. 2 (1980): 203–24.

**3. Trade in intermediate inputs and wages**

\*Feenstra, Chapters 4.

**4. Monopolistic Competition and Trade**

\*Feenstra, Chapter 5

Feenstra, Robert C., 2010, "Measuring the Gains from Trade under Monopolistic Competition," *Canadian Journal of Economics*, February, 1-28.

## **5. Heterogeneous Firms**

\*Gopinath (2014), ch 1/ Feenstra, Chapter 6

\*Feenstra, (2016), GAINS FROM TRADE UNDER MONOPOLISTIC COMPETITION, *Pacific Economic Review*, 21: 1

Melitz, M.J., "The Impact of Trade on Intra-Industry Reallocations and Aggregate Industry Productivity," *Econometrica* (Nov. 2003).

## **6. FDI**

\*Helpman, E. (1984). "A Simple Theory of International Trade with Multinational Corporations." *Journal of Political Economy* 92(3), p.451-71.

Helpman, E., Melitz, M. and S. Yeaple (2004). "Exports versus FDI with Heterogeneous Firms." *American Economic Review* 94(1), p.300-16.

Fajgelbaum Grossman Helpman (2012) "A Linder Hypothesis for Foreign Direct Investment" *working paper*

Nunn, N. (2007). "Relationship-Specificity, Incomplete Contracts, and the Pattern of Trade." *Quarterly Journal of Economics* 122(2), p.569-600.

Acemoglu, D., Antràs, P. and E. Helpman (2007). "Contracts and Technology Adoption." *American Economic Review* 97(3), p.916-43.

## **7. Global Production**

\*Helpman, E., "Trade, FDI, and the Organization of Firms," *JEL* (Sept. 2006).

\*Pol Antràs, 2003. "Firms, Contracts, And Trade Structure," *The Quarterly Journal of Economics*, MIT Press, vol. 118(4), pages 1375-1418, November.

Antras, P. and E. Rossi-Hansberg, "Organizations and Trade," *Annual Review* (Sept. 2009).

Antràs, P. and E. Helpman (2004). "Global Sourcing." *Journal of Political Economy* 112, p.552-80.

Helpman, E., M.J. Melitz and S.R. Yeaple, "Exports versus FDI with Heterogeneous Firms," *AER* (March 2004).

## **8. Trade in Tasks**

\*Grossman and Rossi-Hansberg (2010) Task Trade between Similar Countries, *working paper*

Costinot Vogel Wang (2011) An Elementary Theory of Supply Chains *Working Paper*

Grossman, G. "The Distribution of Talent and the Pattern and Consequences of International Trade." *Journal of Political Economy* 112, no. 1 (2004): 209–39.

Ohnsorge, F., and D. Trefler. "Sorting It Out: International Trade and Protection with Heterogeneous Workers." *Journal of Political Economy* 115, no. 5 (2007): 868–92. (NBER Working Paper no. 10959)

Acemoglu, D., and D. Autor. "Skills, Tasks and Technologies: Implications for Employment and Earnings." *Handbook of Labor Economics* 4 (2011): 1043–171.

## **9. Political Economy of Trade Policy**

\*Feenstra Chapter 10

Freund, C. and C. Ozden (2008). "Trade Policy and Loss Aversion". *American Economic Review*, 98:4, 1675-91.

Limao, N. and P. Tovar "Policy Choice: Theory and Evidence from Commitment via International Trade Agreements," *Journal of International Economics*. November 2011, 85(2), p. 186-205

## **10. Trade and Growth**

\* Feenstra, ch 11.

Reference will be supplied

### **Assessments:**

Assignments & Project (including presentation) – 30%

Final Exam - 70%

Exact form of assessment during the course will be inform during the lecture.